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U.S. Trade Representative Announces the Lifting of Sanctions on European Products as EU Opens Market to U.S. Banana Distributors

WASHINGTON - U.S. Trade Representative Robert B. Zoellick today announced the United States is lifting retaliatory duties on $191 million worth of European Union (EU) products because of the steps taken by the EU to increase market access for U.S. banana distributors. The World Trade Organization (WTO) had previously found in favor of the United States in the dispute, and authorized the imposition of 100 percent duties on EU products.

On April 11, 2001, the United States and the EU reached an understanding in their long running dispute over bananas that called for the EU to adopt a new licensing system for bananas by July 1.

“I am pleased that the United States and EU have found a way to resolve the dispute over bananas, and that we are moving forward on the implementation of the understanding announced in April. The EU has complied with the first phase of the understanding, and so today the United States will lift its WTO-authorized retaliatory duties,” Zoellick said. “This process represents a serious effort by the United States and the EU to manage our differences in a spirit of mutual respect, understanding and constructive action.”

Beginning in 1993, the EU put in place a regime for the importation, distribution, and sale of bananas that took away almost half of the market share of U.S. firms and gave it to competing EU firms. In dispute settlement cases brought by the United States and Latin American countries, WTO panels found that the EU’s regime was discriminatory and inconsistent with WTO rules, and that the United States was suffering economic harm in the amount of $191.4 million per year. When the EU failed to comply with the WTO findings, in April 1999 the United States enforced its WTO rights by imposing increased duties on this amount of EU trade.

In April 2001, Ambassador Zoellick, Secretary of Commerce Evans, and EU officials announced an understanding in this longstanding dispute, which provides for phased implementation steps that provide increased market access for U.S. banana distributors.

Background

The EU's regime governing the importation, sale, and distribution of bananas has been discriminatory and has harmed the economic interests of the United States by denying to U.S. companies a major portion of their banana distribution business. WTO dispute settlement panels have confirmed that the EU's banana regime was inconsistent with the EU's obligations under the WTO Agreement, and have found that the EU's regime has caused economic harm to the United States in the amount of $191.4 million per year. As a result, the WTO authorized the United States to raise tariffs on an equivalent amount of EU trade.

Pursuant to that authorization and authority under Section 301 of the 1974 Trade Act, in April 1999 the USTR announced a list of nine EU products that would be subject to a 100 percent rate of duty: bath preparations, handbags, wallets and similar articles, felt paper and paperboard, paper or paperboard boxes, lithographs, bed linen, batteries, and coffee makers.

On April 11, 2001, Ambassador Zoellick, Secretary of Commerce Evans, and EU officials announced an understanding in this longstanding dispute. The understanding provides for phased implementation steps. By July 1, 2001, the EU is to adopt a new system of banana licenses based on historic reference periods. By January 1, 2002, the EU will shift an additional 100,000 tons of bananas into a tariff quota to which bananas of Latin American origin have access (and with respect to which U.S. distributors have a substantial historic share). By January 1, 2006, the EU will introduce a tariff-only regime for banana imports.

Pursuant to the understanding, the United States is to remove increased duties on EU products if the EU completes the first phase of implementation (adoption of historic reference periods). The understanding also provides that the United States may reimpose increased duties if the EU does not complete the second phase of implementation (modifying its tariff quotas) by January 1, 2002.

The Office of the United States Trade Representative has been monitoring the EU's compliance with the understanding. The EU has adopted a new system of banana licenses based on historic reference periods and has issued licenses in accordance with that system. As a result, U.S. banana distributors have obtained additional access to the EU market.

The increased duties on EU products are withdrawn with respect to articles entered, or withdrawn from warehouse, for consumption on or after July 1, 2001, with the exception of the increased duties imposed on lithographs, which are withdrawn with respect to articles entered, or withdrawn from warehouse, for consumption on or after March 3, 1999. The special treatment for this product is due to widespread confusion in the importing community over the definition of "lithograph." As a result of this confusion, many small businesses who had for years been entering their goods under a different tariff category found that their goods instead fell within the scope of the "lithograph" category and were subject to 100 percent duties. To address this situation, importers will not be required to pay the increased duties on any entries of lithographs that have not been subject to the final assessment of Customs duties. Further details on the removal of the one hundred percent duties are included in a notice that will be published shortly in the *Federal Register*.

USTR will continue to monitor the EU's implementation of the understanding. Should the EU fail to complete the second implementation step, the Trade Representative may again take action under Section 301.